



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	03/29/01	Bill No:	AB 1127
Tax:	Property Taxes	Author:	Assembly Revenue and Taxation Committee
Board Position:	Support – Board-sponsored	Related Bills:	SB 1181 SB 1182

BILL SUMMARY

This bill contains Board of Equalization-sponsored property tax technical and housekeeping provisions and would do the following:

- Correct cross reference errors. (Government Code §51296.3)
- Change the period for measuring inflation increases and clarify that increases are to be compounded annually for the disabled veterans' exemption low-income threshold. (§205.5)
- Correct a spelling error. (§749)
- Eliminate the need to file a declaration of intent to petition for reassessment of private railroad cars. (§§11338 and 11339)

SUMMARY OF AMENDMENTS

The provision to require county assessors and auditors to maintain the confidentiality of state assessee information provided by the Board was deleted from the bill. The correction of the cross reference errors (§51296.3) and the correction of the spelling error (§749) were added to the bill.

ANALYSIS

Correct cross referencing errors.

Government Code Section 51296.3

Current Law

Under existing law, Government Code Section 51296.3 contains references to subdivisions within Section 51296.3 that do not exist. Specifically, former Section 51296 (f) is now Section 51296.5, and former Section 51296 (g) is now Section 51296.6.

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Comments

Each year, the Senate Local Government Committee authors a bill to correct problems with the state statutes that affect counties, cities, special districts, and redevelopment agencies, as well as the laws on land use planning and development. These problems are relatively minor and do not warrant separate (and expensive) bills. Among its provisions, last year's Local Government Omnibus Act of 2000 (SB 1350, Ch. 506, 2000), in effect January 1, 2001, repealed former Government Code Section 51296, which included subdivisions (a) - (o), and replaced that one section with Government Code Sections 51296 - 51297.4 (Farmland Security Zone). Before the enactment of SB 1350, the statute consisted of a single section with 15 separate subdivisions. SB 1350 simply redistributed the farmland security zone statute from one section into 15 sections without changing the statute's substance. Basically, each former subdivision of Section 51296 became a separate Government Code section, such as follows:

<u>Former Section</u>	<u>Current Section</u>
Section 51296, subdivision (a)	Section 51296
Section 51296, subdivision (b)	Section 51296.1
Section 51296, subdivision (c)	Section 51296.2
Section 51296, subdivision (d)	Section 51296.3
Section 51296, subdivision (e)	Section 51296.4
Section 51296, subdivision (f)	Section 51296.5
Section 51296, subdivision (g)	Section 51296.6

However, former Government Code Section 51296, subdivision (d)(2) referred to exceptions provided in its subdivision (f) or subdivision (g). When it was repealed and new section 51296.3 was added, the references to those subdivisions were not changed, so that now there are references to those subdivisions within Section 51296.3 that do not exist. Specifically, former Section 51296 (f) is now Section 51296.5, and former Section 51296 (g) is now Section 51296.6.

This bill would simply correct the reference errors contained in Section 51296.3 in order to avoid confusion for taxpayers.

Technical cleanup to the disabled veterans' exemption annual adjustment

Revenue and Taxation Code Section 205.5

Current Law

Existing law provides a "disabled veterans' exemption" which applies to the home of a qualified veteran or their surviving unmarried spouse. The basic exemption amount is \$100,000 but a higher "low-income" exemption of \$150,000 is provided to claimants with a household income below a specified threshold level. The basic exemption is

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provided on a one-time filing basis, while the low-income exemption requires an annual refiling.

Section 205.5 of the Revenue and Taxation Code was amended by Chapter 1086, Stats. 2000 (SB 1362, Poochigian), to increase the income threshold to \$40,000 for the year 2001 and to provide for an annual adjustment in the income threshold level for 2002 and each year thereafter. The annual adjustment is based on the annual percentage change in the California Consumer Price Index (CCPI) for all items from October of the prior fiscal year to October of the current fiscal year.

Comments

The following two cleanup provisions have been identified related to the annual adjustment of the income threshold.

Measurement Period. The income threshold will vary from year to year and more disabled veterans may be able to qualify for the higher exemption amount of \$150,000 which requires annual, rather than one-time, filing. Disabled veterans will need to know the threshold level to determine whether they qualify early enough to submit a timely claim to obtain the \$150,000 exemption (rather than \$100,000 exemption). In order to timely determine, publicize, and prepare new claim forms with the income threshold for each year, the measurement period requires adjustment. The CCPI measurement period established for use in the disabled veterans' exemption, October to October, is the same period used for purposes of applying the Proposition 13 inflation factor to property assessed values. While this time period works well for Proposition 13 purposes, it is too late for purposes of the disabled veterans' exemption. The October figures are released on the first of December, which would be six months after the date the Board must revise the claim forms and provide copies to assessors for printing and mailing to taxpayers in preparation for the upcoming tax year. The CCPI figures are released for the months of February, April, June, August, October, and December (each figure is available about four weeks after the end of the month).

To correct this timing problem, this bill would change the measurement period to February to February of the two prior assessment years. For example, forms prepared in March 2002 for the 2003 lien date would reflect the CCPI change from February 2001 to February 2002.

Compounding Inflation Factor. As currently drafted, there could be some question as to whether the inflation factor should be compounded annually. Without compounding, the income threshold would fluctuate up and down from year to year with \$40,000 as the base figure of comparison for every year. For instance, in one year the income threshold could be \$45,000 and the following year the income threshold could drop to \$41,000.

This bill would clarify that the inflation adjustments are to be compounded *annually* to ensure that the threshold will increase each year.

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Correct a spelling error from "allocated" for "unallocated".*Revenue and Taxation Code Section 749***Current Law**

Under current law, Revenue and Taxation Code Section 749 requires the Board to notify a petitioner by mail of its decision on a petition to correct an allocated assessment.

Comment

Last year the Board sponsored legislation amending various sections of code to simplify the petition filing deadlines for appeals of assessments and allocations of state-assessed properties. (SB 2170, Ch. 647, Stats. 2000) One word in the original source documents provided to the Legislature was typeset incorrectly when the amendments were set into formal bill introduction form. Specifically, in Section 749, the word "allocated" was mistakenly typeset as "unallocated." Presumably the word "an" prior to the word "allocated" was double typeset as both "an" and "un" and the mistake was not discovered until after the bill had been chaptered. The language adopted by the Board and subsequently delivered to the Legislature uses the word "allocated." Additionally, since there is no such thing as petitions for "unallocated" assessments, this sentence requires correction.

This bill would correct this inadvertent typesetting error.

**Eliminate the filing of a declaration of intent to
petition for reassessment of private railroad cars***Revenue and Taxation Code Sections 11338 and 11339***Current Law**

Under current law, there is a two step process to file an appeal of a private railroad car assessment with the Board of Equalization. The first step is to file a "declaration of intent" to appeal, which is due on or before August 21. The second step is to file the actual appeal, which is due on or before September 20. Similar provisions exist for assessments that are made outside the regular assessment period, except that the "declaration of intent" must be filed within 20 days of receiving the assessment notice and the appeal must be filed within 30 days thereafter.

Comment

This bill would eliminate the unnecessary first step of filing an "intent to appeal" and instead simply require that, with respect to assessments made for the regular assessment period, an appeal be filed by September 20, and with respect to assessments made outside the regular assessment period, an appeal be filed within 50 days of the assessment notice. These changes would simplify the appeals process for Private Railroad Car Taxpayers as well as conform to similar streamlining measures made last year for state assessees, which were contained in Senate Bill 2170 (Ch. 647.

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2000, SR&T) and sponsored by the Board. Additionally, this bill would give Private Railroad Car Taxpayers more time to decide if they want to file an appeal since they need not take action until September 20 to initiate their right to appeal, rather than the earlier date of August 21.

COST ESTIMATE

Any Board costs associated with this bill would be absorbable.

REVENUE ESTIMATE

The proposed changes in this bill would not impact the state's revenues.

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